Letsemeng Local Municipality
Financial statements
for the year ended 30 June 2015

General Information

Mayoral committee	
Mayor	Cllr. T.I. Reachable
Councillors	Cllr. M.A. Mpatshehla
	Cllr. M.M. Tsiloana
	Cllr. M.U. Jantjies
	Cllr. P.M. Dibe
	Cllr. S Lecoko (1 July – December 2014)
	Cllr. P.S. Musa (Appointed March 2015)
	Cllr. V.A. Mona
	Cllr. P Louw
	Cllr. L Greef
	Cllr. V Coetzee
	Cllr. K. Nel
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Ms. J. Mazinyo (Acting)
Accounting Officer	Mr. B.A. Mnguni
Registered office	Civic Centre 7 Groottrek Street Koffiefontein 9986
Business address	Civic Centre 7 Groottrek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986
Bankers	First National Bank ABSA
Auditors	Auditor - General of South Africa

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipal operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. As such, the annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr. B.A. Mnguni
Accounting officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Shared Audit and Performance Committee members and attendance

The shared audit and performance committee (Xhariep District) consists of four members listed hereunder and meet on a regular basis per annum as per its approved terms of reference. During the current year three meetings were held.

Name of member	Number of meetings attended
Mr. M.M. Segalo (Chairman)	3
Mr. V. Vapi	3
Ms. S. Makhathini	3
Ms. R.T. Mocwaledi (appointed 01/04/2015)	1

Audit committee responsibility

The shared audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The shared audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements (as applicable in municipal environment and adopted by Council), Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, material deficiencies in the system of internal controls or any deviations therefrom are disclosed in their audit report (Other Matters).

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the under review.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.The external audit used internal audit reports for risk identification purposes but did not place reliance on the internal audit reports.

Chairperson of the Audit Committee

Date:

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

Letsemeng Local Municipality (the municipality) is a local government institution in Koffiefontein, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 13 957 664 (2014: surplus R 6 013 983).

2. Going concern

Management considered the following matters relating to the Going Concern:

(i) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer declared his interest in terms of Supply Chain Management Regulations.

5. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr. B.A. Mnguni	South African	Appointed 01 August 2014

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a regular basis.

Management meetings

The accounting officer meets section 56 managers at least on a monthly basis.

Internal audit

The municipality has outsourced its internal audit function to Thebeyaka consulting. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's bankers did not change during the year.

9. Auditors

Auditor - General of South Africa will continue in office for the next financial period.

10. Non compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Assets			
Current Assets			
Inventories	10	7 118 575	955 720
Receivables from exchange transactions	11&14	14 282 457	9 358 405
Receivables from non-exchange transactions	12&14	5 628 679	3 209 782
VAT receivable	13	6 022 400	1 792 696
Payments in advance	9	-	511 879
Cash and cash equivalents	15	3 194 564	15 216 409
		36 246 675	**31 044 891**
Non-Current Assets			
Property, plant and equipment	4	657 886 145	676 499 623
Intangible assets	5	305 840	450 787
Heritage assets	6	11 299 818	11 299 818
Investments	7	10 306 092	18 409 289
		679 797 895	**706 659 517**
Total Assets		**716 044 570**	**737 704 408**
Liabilities			
Current Liabilities			
Finance lease obligation	17	128 974	29 529
Payables from exchange transactions	20	9 483 238	10 290 772
Consumer deposits	21	721 782	693 347
Employee benefit obligation	8	524 203	535 375
Unspent conditional grants and receipts	18	13 878 958	13 713 326
		24 737 155	**25 262 349**
Non-Current Liabilities			
Finance lease obligation	17	214 628	12 564
Employee benefit obligation	8	5 423 564	5 416 151
Provisions	19	7 818 707	7 637 387
		13 456 899	**13 066 102**
Total Liabilities		**38 194 054**	**38 328 451**
Net Assets		**677 850 516**	**699 375 957**
Accumulated surplus	16	677 850 499	699 375 957

* See Note 2 & 46

Statement of Financial Performance

Figures in Rand	Notes	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Administration and management fees received		-	253 242
Dividends received	26	4 515	3 059
Fees earned		-	88 852
Interest received (trading)		4 743 169	2 637 190
Interest received - investment	26	1 849 970	1 106 751
Licences and permits		-	923
Recoveries	25	3 517 136	-
Rental of facilities and equipment	24	246 094	344 867
Service charges	23	38 374 202	37 576 635
Sundry income		-	97 205
Sundry municipal service income		-	287 620
Total revenue from exchange transactions		**48 735 086**	**42 396 344**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	15 072 772	9 320 648
Transfer revenue			
Government grants & subsidies	28	70 386 368	78 310 498
Fines, Penalties and Forfeits		4 500	48 520
Total revenue from non-exchange transactions		**85 463 640**	**87 679 666**
Total revenue	22	**134 198 726**	**130 076 010**
Expenditure			
Employee related costs	29	(39 688 471)	(28 841 703)
Remuneration of councillors	30	(3 143 467)	(3 173 911)
Administration	31	(174 019)	(14 331)
Depreciation and amortisation	32	(34 390 624)	(33 529 302)
Impairment loss/ Reversal of impairments	33	(592 649)	-
Finance costs	34	(665 446)	(620 583)
Bulk purchases	36	(22 604 782)	(22 791 967)
Repairs and maintenance		(3 742 643)	(2 754 713)
Debt Impairment	35	(15 263 504)	(5 433 125)
General Expenses	37	(28 105 012)	(26 414 371)
Total expenditure		**(148 370 617)**	**(123 574 006)**
Operating (deficit) surplus		**(14 171 891)**	**6 502 004**
Fair value adjustments	38	13 805	14 475
Actuarial gains/losses	8	200 423	(502 496)
		214 228	**(488 021)**
(Deficit) surplus for the year		**(13 957 663)**	**6 013 983**

* See Note 2 & 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	616 468 326	616 468 326
Adjustments		
Change in accounting policy	11 299 818	11 299 818
Balance at 01 July 2013 as restated*	**627 768 144**	**627 768 144**
Changes in net assets		
Prior year adjustments	76 107 534	76 107 534
Net income (losses) recognised directly in net assets	76 107 534	76 107 534
Surplus for the year	6 013 983	6 013 983
Total recognised income and expenses for the year	82 121 517	82 121 517
Contribution to indigent subsidies	(10 513 704)	(10 513 704)
Total changes	71 607 813	71 607 813
Restated* Balance at 01 July 2014	**699 375 944**	**699 375 944**
Changes in net assets		
Contribution to indigent subsidies	(7 567 781)	(7 567 781)
Net income (losses) recognised directly in net assets	(7 567 781)	(7 567 781)
Surplus for the year	(13 957 664)	(13 957 664)
Total recognised income and expenses for the year	(21 525 445)	(21 525 445)
Total changes	(21 525 445)	(21 525 445)
Balance at 30 June 2015	**677 850 499**	**677 850 499**

* See Note 2 & 46

Cash Flow Statement

Figures in Rand	Notes	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		15 072 772	9 320 648
Sale of goods and services		38 264 626	38 319 314
Grants		68 137 604	87 606 263
Interest income		1 849 970	1 106 751
Dividends received		4 515	3 059
Other receipts		3 763 230	3 336 487
Interest income - trading		4 743 169	2 611 052
		131 835 886	142 303 574
Payments			
Employee costs		(42 831 938)	(31 545 274)
Suppliers		(61 412 988)	(32 097 533)
Finance costs		(665 446)	(620 583)
Other payments		(31 141 020)	(41 964 048)
		(136 051 392)	(106 227 438)
Net cash flows from operating activities	40	**(4 215 506)**	**36 076 136**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(15 844 938)	(22 488 472)
Purchase of other intangible assets	5	(11 614)	(114 947)
Movement in financial assets		8 117 001	(698 773)
Other cash item		32 481	606 076
Net cash flows from investing activities		**(7 707 070)**	**(22 696 116)**
Cash flows from financing activities			
Finance lease payments		(99 269)	(137 814)
Net increase/(decrease) in cash and cash equivalents		**(12 021 845)**	**13 242 206**
Cash and cash equivalents at the beginning of the year		15 216 409	1 974 203
Cash and cash equivalents at the end of the year	15	**3 194 564**	**15 216 409**

* See Note 2 & 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	46 420 000	-	**46 420 000**	38 374 202	**(8 045 798)**	
Rental of facilities and equipment	432 000	-	**432 000**	246 094	**(185 906)**	
Interest received (trading)	-	-	**-**	4 743 169	**4 743 169**	
Licences and permits	6 000	-	**6 000**	-	**(6 000)**	
Recoveries	-	-	**-**	3 517 136	**3 517 136**	
Sundry income	959 000	-	**959 000**	-	**(959 000)**	
Interest received - investment	3 500 000	-	**3 500 000**	1 849 970	**(1 650 030)**	
Dividends received	27 000	-	**27 000**	4 515	**(22 485)**	
Total revenue from exchange transactions	**51 344 000**	**-**	**51 344 000**	**48 735 086**	**(2 608 914)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 157 000	-	**7 157 000**	15 072 772	**7 915 772**	
Transfer revenue						
Government grants & subsidies	53 929 000	-	**53 929 000**	70 386 368	**16 457 368**	
Fines, Penalties and Forfeits	95 000	-	**95 000**	4 500	**(90 500)**	
Total revenue from non-exchange transactions	**61 181 000**	**-**	**61 181 000**	**85 463 640**	**24 282 640**	
Total revenue	**112 525 000**	**-**	**112 525 000**	**134 198 726**	**21 673 726**	
Expenditure						
Personnel	(37 975 000)	1 497 000	**(36 478 000)**	(39 688 471)	**(3 210 471)**	
Remuneration of councillors	(3 700 000)	181 000	**(3 519 000)**	(3 143 467)	**375 533**	
Administration	-	-	**-**	(174 019)	**(174 019)**	
Depreciation and amortisation	(11 700 000)	(7 466 000)	**(19 166 000)**	(34 390 624)	**(15 224 624)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(592 649)	**(592 649)**	
Finance costs	(125 000)	65 000	**(60 000)**	(665 446)	**(605 446)**	
Bad debts written off	(2 915 000)	446 000	**(2 469 000)**	(15 263 504)	**(12 794 504)**	
Repairs and maintenance	(14 287 000)	10 206 000	**(4 081 000)**	(3 742 643)	**338 357**	
Bulk purchases	(24 109 000)	-	**(24 109 000)**	(22 604 782)	**1 504 218**	
General Expenses	(41 299 000)	6 849 000	**(34 450 000)**	(28 105 013)	**6 344 987**	
Total expenditure	**(136 110 000)**	**11 778 000**	**(124 332 000)**	**(148 370 618)**	**(24 038 618)**	
Operating deficit	**(23 585 000)**	**11 778 000**	**(11 807 000)**	**(14 171 892)**	**(2 364 892)**	
Fair value adjustments	-	-	**-**	13 805	**13 805**	
Actuarial gains/losses	-	-	**-**	200 423	**200 423**	
	-	**-**	**-**	**214 228**	**214 228**	
Deficit before taxation	**(23 585 000)**	**11 778 000**	**(11 807 000)**	**(13 957 664)**	**(2 150 664)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 000 000	(1 627 000)	**373 000**	7 118 575	**6 745 575**	
Investments	1 825 000	(1 825 000)	**-**	-	**-**	
Receivables from exchange transactions	(14 961 000)	27 253 000	**12 292 000**	1 528 353	**(10 763 647)**	
Receivables from non-exchange transactions	14 000 000	(12 183 000)	**1 817 000**	5 628 679	**3 811 679**	
VAT receivable	-	-	**-**	6 022 400	**6 022 400**	
Other assets	1 570 000	(1 570 000)	**-**	-	**-**	
Cash and cash equivalents	21 000 000	(5 967 000)	**15 033 000**	3 194 564	**(11 838 436)**	
	25 434 000	**4 081 000**	**29 515 000**	**23 492 571**	**(6 022 429)**	
Non-Current Assets						
Property, plant and equipment	377 837 000	235 344 000	**613 181 000**	657 886 145	**44 705 145**	
Intangible assets	248 000	(57 000)	**191 000**	305 840	**114 840**	
Heritage assets	-	-	**-**	11 299 818	**11 299 818**	
Investments	-	18 409 000	**18 409 000**	10 306 092	**(8 102 908)**	
	378 085 000	**253 696 000**	**631 781 000**	**679 797 895**	**48 016 895**	
Total Assets	**403 519 000**	**257 777 000**	**661 296 000**	**703 290 466**	**41 994 466**	
Liabilities						
Current Liabilities						
Other financial liabilities	33 000	(33 000)	**-**	-	**-**	
Finance lease obligation	-	-	**-**	128 974	**128 974**	
Payables from exchange transactions	13 596 000	9 806 000	**23 402 000**	9 483 238	**(13 918 762)**	
Consumer deposits	670 000	75 000	**745 000**	721 783	**(23 217)**	
Employee benefit obligation	-	-	**-**	524 203	**524 203**	
Unspent conditional grants and receipts	-	-	**-**	13 878 958	**13 878 958**	
Provisions	3 806 000	(3 271 000)	**535 000**	-	**(535 000)**	
	18 105 000	**6 577 000**	**24 682 000**	**24 737 156**	**55 156**	
Non-Current Liabilities						
Other financial liabilities	105 000	(105 000)	**-**	-	**-**	
Finance lease obligation	-	-	**-**	214 628	**214 628**	
Employee benefit obligation	-	-	**-**	5 423 564	**5 423 564**	
Provisions	40 708 000	(27 655 000)	**13 053 000**	7 818 707	**(5 234 293)**	
	40 813 000	**(27 760 000)**	**13 053 000**	**13 456 899**	**403 899**	
Total Liabilities	**58 918 000**	**(21 183 000)**	**37 735 000**	**38 194 055**	**459 055**	
Net Assets	**344 601 000**	**278 960 000**	**623 561 000**	**665 096 411**	**41 535 411**	
Reserves						
Accumulated surplus	608 576 000	14 985 000	**623 561 000**	677 850 516	**54 289 516**	
Total Net Assets	**608 576 000**	**14 985 000**	**623 561 000**	**677 850 516**	**54 289 516**	

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debt and bad debts written off

The Municipality follows a policy that is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000 as amended and other related legislation.

Before any debt is written off there must be proof that the debt has become irrecoverable.

Bad debts write offs must be considered in terms of cost-benefit analysis: meaning when it becomes too costly to recover and the chances of collecting the debts are slim, a write off should be considered.

Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalization of any final readings and other administrative costs results in a balance of one hundred Rand (R100) or less, such account must be forwarded once to the consumer for payment.

The Accounting Officer will, after thorough review of any applicants in terms of this Policy, be delegated to write off any amounts ,outstanding for more than 365 days to the maximum of:

1.) In the case of a household consumer an amount of R100.00 (excluding interest and penalties) per submission; and
2.) In the case of a business consumer an amount of R200.00(excluding interest and penalties) per submission

Provision for bad debts on municipal accounts will therefore be calculated as follows:

1.) Up to 90 days debt is not be considered bad,
2.) 91-120 days 25% of the debt is considered bad,
3.) 121-365 days 50% of the debt is considered bad and
4.) 365 days and more, 100% of the debt is considered bad

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Depreciation method	Average useful life (years)
Buildings		
• Buildings and improvements	Straight line	5 - 60

Accounting Policies

1.5 Property, plant and equipment (continued)

Other assets		
• Office Equipment	Straight line	3 - 7
• IT equipment	Straight line	3 - 5
• Plant and machinery	Straight line	5 - 25
• Motor vehicles - Specialised vehicles	Straight line	10 - 15
• Motor vehicles - Other vehicles	Straight line	3
• Bins and containers	Straight line	5
• Furniture and fixtures	Straight line	7 - 10
Community		
• Buildings	Straight line	30
• Recreational Facilities	Straight line	20 -30
• Security	Straight line	3 - 5
Infrastructure		
• Roads and Paving	Straight line	3 - 80
• Sewerage/ Solid waste	Straight line	5 - 50
• Water	Straight line	5 - 50
• Electricity	Straight line	10 - 50
• Landfill sites	Straight line	5 - 25

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

1.8 Heritage assets (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

1.9 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

1.9 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transactions	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents – Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial asset measured at fair value
Current Portion of Non-current Investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at amortised cost

1.9 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Tax

VAT

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality has opted to treat its provision for leave pay and bonusses as accruals.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

A Defined Contribution Plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.15 Employee benefits (continued)

Defined benefit plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post-retirement Health Care Benefits

The entity provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

1.15 Employee benefits (continued)

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

1.16 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

1.19 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Accounting Policies

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. Changes in accounting policy

The financial statements have been prepared in accordance with Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 103: Heritage Assets

Heritage Assets

During the year, the municipality elected to prepare its accounting policy with respect to the treatment of Heritage Assets. In order to conform with the benchmark treatment in of GRAP 103 – Heritage assets. The municipality have retrospectively recognised the full net assets in the Annual Financial Statements.

The comparative amounts have been restated.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

	2015	2014
Heritage assets		
Increase/(decrease) due to change in accounting policy	-	11 299 818
Opening retained earnings		
Decrease/(increase) due to change in accounting policy	-	(11 299 818)

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2015
• GRAP 105: Transfers of functions between entities under common control	01 April 2015
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015
• GRAP 107: Mergers	01 April 2015
• GRAP 20: Related parties	01 April 2016
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016
• GRAP108: Statutory Receivables	01 April 2016
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	98 544 657	-	98 544 657	98 544 657	-	98 544 657
Buildings	71 356 174	(26 801 999)	44 554 175	67 765 960	(25 554 397)	42 211 563
Infrastructure	1 066 090 067	(560 311 909)	505 778 158	1 054 455 403	(528 574 984)	525 880 419
Other property, plant and equipment	13 149 171	(4 423 057)	8 726 114	14 029 249	(4 196 470)	9 832 779
Leased Assets	400 779	(117 738)	283 041	75 281	(45 076)	30 205
Total	**1 249 540 848**	**(591 654 703)**	**657 886 145**	**1 234 870 550**	**(558 370 927)**	**676 499 623**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	98 544 657	-	-	-	98 544 657
Buildings	42 211 563	3 590 214	(1 247 602)	-	44 554 175
Infrastructure	525 880 419	11 634 664	(31 736 925)	-	505 778 158
Other property, plant and equipment	9 832 779	638 779	(1 139 436)	(606 008)	8 726 114
Leased Assets	30 205	382 060	(110 100)	(19 124)	283 041
	676 499 623	**16 245 717**	**(34 234 063)**	**(625 132)**	**657 886 145**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Capital under construction - Additions	Depreciation	Total
Land	98 544 657	-	-	-	98 544 657
Buildings	36 969 528	2 230 779	3 891 946	(880 690)	42 211 563
Infrastructure	541 752 657	10 559 317	4 958 388	(31 389 943)	525 880 419
Other property, plant and equipment	9 955 761	890 880	-	(1 013 862)	9 832 779
Leased Assets	22 978	32 443	-	(25 216)	30 205
	687 245 581	**13 713 419**	**8 850 334**	**(33 309 711)**	**676 499 623**

Pledged as security

None of the tangible assets were pledged as security during the current and previous year:

Assets subject to finance lease (Net carrying amount)

	2015	2014
Leased assets - office equipment	283 041	30 205

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2015

	Included within Buildings	Included within Infrastructure	Included within Other PPE	Total
Opening balance	6 947 639	5 870 873	2 423 888	15 242 400
Additions/capital expenditure	3 590 214	11 634 664	-	15 224 878
Work-in-Progress completed during the year	-	(7 346 385)	-	(7 346 385)
	10 537 853	**10 159 152**	**2 423 888**	**23 120 893**

Reconciliation of Work-in-Progress 2014

	Included within Buildings	Included within Infrastructure	Included within Other PPE	Total
Opening balance	18 114 844	11 641 936	2 423 888	32 180 668
Additions/capital expenditure	6 122 917	15 517 705	-	21 640 622
Work-in-Progress completed during the year	(17 290 122)	(21 288 768)	-	(38 578 890)
	6 947 639	**5 870 873**	**2 423 888**	**15 242 400**

Transitional provisions

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	964 179	(658 339)	305 840	952 565	(501 778)	450 787

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	450 788	11 614	(156 562)	305 840

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	466 110	114 947	(130 269)	450 788

Pledged as security

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	11 041 248	-	11 041 248	11 041 248	-	11 041 248
Mayor's medallion	258 570	-	258 570	258 570	-	258 570
Total	**11 299 818**	**-**	**11 299 818**	**11 299 818**	**-**	**11 299 818**

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	11 041 248	11 041 248
Mayor's medallion	258 570	258 570
	11 299 818	**11 299 818**

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	11 041 248	11 041 248
Mayor's medallion	258 570	258 570
	11 299 818	**11 299 818**

Notes to the Financial Statements

Figures in Rand	2015	2014

7. Investments

Designated at fair value		
Unlisted shares Non-controlling interest of 3600 (2014: 3600) shares in Senwes Limited, 4990 (2014: 4990) shares in Senwes Beleggings and 4000 (2014: 4000) shares in OVK, which are recognised at fair value.	121 030	107 225
	121 030	**107 225**
At amortised cost		
Money Market Investments These are Money Market instruments placed with local financial institutions. FNB account Number 62273244849. Average interest rate for the period 4.25% (2014: 4.25%).	10 185 062	18 302 064
Total other financial assets	**10 306 092**	**18 409 289**
Non-current assets		
Designated at fair value	121 030	107 225
At amortised cost	10 185 062	18 302 064
	10 306 092	**18 409 289**

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Investment in OVK shares The shares are valued as per valuation obtained from the OVK Transfer Secretaries as at 30 June each year.	53 400	42 880
Investment in Senwes Beleggings and Senwes Limited The shares are valued as per valuation obtained from the Senwes Transfer Secretaries as at 30 June each year.	67 630	64 345
	121 030	**107 225**

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Unlisted shares	121 030	107 225
Level 2		
Money Market investments	10 185 062	18 302 064
	10 306 092	**18 409 289**

Figures in Rand	2015	2014

7. Investments (continued)

Financial assets pledged as collateral

Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	-	1 670 000

8. Employee benefit obligations

Defined benefit plan

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid Schemes

The members of the Post-employment Health Care Benefit Plan are made up as follows: In-service Members (Employees) 1, In-service Non-members (Employees) 3 and Continuation Members (Retirees, widowers and orphans) 14.

Long Service Awards Liability

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable every 5 years of continuous service, from 5 years of service to 45 years of service, inclusive. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr Chanan Weiss BSc FFA, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R251 665 , whereas the cost for the ensuing year is estimated to be R (30 June 2014: R251 665 and R376 662 respectively).

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr Chanan Weiss BSc FFA, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Post-retirement Health Care Benefits Liability	(4 303 285)	(4 161 989)
Long Service Awards Liability	(1 644 482)	(1 789 537)
	(5 947 767)	**(5 951 526)**
Non-current liabilities	(5 423 564)	(5 416 151)
Current liabilities	(524 203)	(535 375)
	(5 947 767)	**(5 951 526)**

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

Changes in the present value of the Post-employment Medical Aid subsidy obligation are as follows:

Opening balance	4 161 989	3 938 187
Net expense recognised in the statement of financial performance	141 296	223 802
	4 303 285	**4 161 989**

Net expense recognised in the statement of financial performance : Post-employment Medical Aid subsidy obligation

Current service cost	19 010	19 012
Interest cost	326 433	283 691
Actuarial (gains) losses	147 009	255 959
Benefits paid	(351 156)	(334 860)
	141 296	**223 802**

Changes in the present value of the Long Service Awards obligation are as follows:

Opening balance	1 789 537	1 543 000
Net expense recognised in the statement of financial performance	(145 055)	246 537
	1 644 482	**1 789 537**

Net expense recognised in the statement of financial performance : Long Service Awards obligation

Current service cost	251 665	413 000
Interest cost	134 931	108 000
Actuarial gains (losses)	(347 432)	(157 463)
Benefits paid	(184 219)	(117 000)
	(145 055)	**246 537**

Key assumptions used

Assumptions used or the purposes of the actuarial valuations at the reporting date:

Discount rates used - Post-retirement Health Care Benefit Liability	8.20 %	8.18 %
Discount rates used - Long Service Awards Liability	8.09 %	7.92 %
Health Care cost inflation rate - Post-retirement Health Care Benefit Liability	7.49 %	7.66 %
Health Care cost inflation rate - Long Service Awards Liability	7.14 %	7.09 %
Nett effective discount rate - Post-retirement Health Care Benefit Liability	0.66 %	0.48 %
Nett effective discount rate - Long Service Awards Liability	0.89 %	0.78 %

Expected Retirement Age for males and females was 65 years (2014: 65 years).

The basis on which the discount rates have been determined is as follow:

Post-retirement Benefit Liability: The rate is calculated by using a weighted average of yields for the two components (In-service members' retirement liability and Continuation members' liability) of the liability. Each component's fixed-interest (8.20% and 8.14%) and index-linked yield (1.61% and 1.62%) was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Long Service Awards Liability: This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.37% (2014: 1.25%). These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014 and 30 June 2015 respectively.

Figures in Rand	2015	2014

8. Employee benefit obligations (continued)

Other assumptions

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation - Post-retirement Health Care Liability	4 303 000	4 162 000	3 938 000	6 404 000	6 019 000
Defined benefit obligation - Long Service Awards Liability	1 644 482	1 789 537	1 543 000	1 366 000	1 063 000
Experience adjustments on plan liabilities - Post-retirement Health Care Liability	205 000	350 000	217 000	(146 000)	-
Experience adjustments on plan liabilities - Long Service Awards Liability	(332 174)	(55 730)	(161)	24	-

9. Prepayments

In the previous period a prepayment was made for SALGA (R 500 000) and an Asset (R 11 879). The SALGA payment related to the 2014/2015 financial year. The asset was delivered and brought in to use in 2014/2015. There ere no prepaymentts made in the current financial period.

10. Inventories

	2015	2014
Maintenance materials	7 107 948	936 636
Water	10 627	19 084
	7 118 575	**955 720**

Inventories are held for own use and measured at the lower of Cost and and net realisable value. No write downs of Inventory to Net Realisable Value were required in the current period.

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities of the municipality.

11. Receivables from exchange transactions

	2015	2014
Consumer debtors - Electricity	1 460 451	1 115 380
Consumer debtors - Other Services	92 644	70 273
Consumer debtors - Refuse	3 731 193	1 903 751
Consumer debtors - Sewerage	3 896 731	1 970 267
Consumer debtors - Water	3 573 085	2 866 180
Deposits	1 286 682	1 222 316
Other receivables	241 671	210 238
	14 282 457	**9 358 405**

Consumer debtors - other services include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Deposits are in respect of cash deposits made to Eskom for the supply of electricity and Telkom for telephone services.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

Figures in Rand	2015	2014

11. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

At 30 June 2015, R 11 371 650 (2014: R 7 394 119) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 644 267	914 492
2 months past due	1 426 442	998 034
3 months past due	8 300 941	5 481 593

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 1 020 148 (2014: R 1 091 063) were impaired and provided for.

The amount of the provision was R (33 360 238) as of 30 June 2015 (2014: R (23 598 777)).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	23 598 777	19 230 746
Provision for impairment	9 741 157	3 276 968
Amounts written off as uncollectible	1 020 304	1 091 063
	34 360 238	**23 598 777**

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment. Refer to details in the accounting policy for further details.

12. Receivables from non-exchange transactions

Consumer debtors - Rates	5 628 679	3 209 782

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2015, R 4 557 455 (2014: R 2 789 638) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	892 272	457 411
2 months past due	849 703	37 659
3 months past due	2 815 480	1 956 168

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 64 955 (2014: R 33 155) were impaired and provided for.

The amount of the provision was R 13 217 001 as of 30 June 2015 (2014: R 8 714 958).

Figures in Rand	2015	2014

12. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	8 714 958	7 649 865
Provision for impairment	4 437 088	1 031 938
Amounts written off as uncollectible	64 955	33 155
	13 217 001	**8 714 958**

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

13. VAT receivable

VAT	6 022 400	1 792 696

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

14. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	18 845 680	11 924 740
Consumer debtors - Electricity	3 610 456	2 782 215
Consumer debtors - Water	14 298 139	10 346 841
Consumer debtors - Sewerage	14 322 235	8 906 955
Consumer debtors - Refuse	13 993 327	8 730 937
Consumer debtors - Other Services	890 185	757 680
	65 960 022	**43 449 368**
Less: Allowance for impairment		
Consumer debtors - Rates	(13 217 001)	(8 714 958)
Consumer debtors - Electricity	(2 150 005)	(1 666 835)
Consumer debtors - Water	(10 725 054)	(7 480 662)
Consumer debtors - Sewerage	(10 425 504)	(6 936 688)
Consumer debtors - Refuse	(10 262 134)	(6 827 185)
Consumer debtors - Other Services	(797 542)	(687 407)
	(47 577 240)	**(32 313 735)**
Net balance		
Consumer debtors - Rates	5 628 679	3 209 782
Consumer debtors - Electricity	1 460 451	1 115 380
Consumer debtors - Water	3 573 085	2 866 180
Consumer debtors - Sewerage	3 896 731	1 970 267
Consumer debtors - Refuse	3 731 193	1 903 752
Consumer debtors - Other Services	92 644	70 273
	18 382 783	**11 135 634**

Figures in Rand	2015	2014

14. Consumer debtors disclosure (continued)

Included in above is receivables from exchange transactions		
Electricity	1 460 451	1 115 380
Water	3 573 085	2 866 180
Sewerage	3 896 731	1 970 267
Refuse	3 731 193	1 903 752
Other Services	92 644	70 273
	12 754 104	**7 925 852**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	5 628 679	3 209 782
Net balance	**18 382 783**	**11 135 634**
Rates		
Current (0 -30 days)	890 604	420 145
31 - 60 days	892 272	457 411
61 - 90 days	849 703	367 059
> 90 days	2 996 100	1 965 167
	5 628 679	**3 209 782**
Electricity		
Current (0 -30 days)	361 254	524 117
31 - 60 days	232 878	124 274
61 - 90 days	91 572	108 108
> 90 days	774 747	358 881
	1 460 451	**1 115 380**
Water		
Current (0 -30 days)	606 161	889 813
31 - 60 days	407 944	300 696
61 - 90 days	347 010	409 722
> 90 days	2 211 970	1 265 949
	3 573 085	**2 866 180**
Sewerage		
Current (0 -30 days)	516 645	250 490
31 - 60 days	509 452	247 650
61 - 90 days	502 910	241 944
> 90 days	2 367 724	1 230 183
	3 896 731	**1 970 267**
Refuse		
Current (0 -30 days)	489 271	230 498
31 - 60 days	481 917	232 886
61 - 90 days	473 797	230 419
> 90 days	2 286 208	1 209 949
	3 731 193	**1 903 752**

Figures in Rand	2015	2014

14. Consumer debtors disclosure (continued)

Other services

Current (0 -30 days)	11 169	-
31 - 60 days	12 075	-
61 - 90 days	11 153	-
> 90 days	58 247	70 273
	92 644	**70 273**

Summary of debtors by customer classification

Consumers/ household

Current (0 -30 days)	1 736 313	909 090
31 - 60 days	1 606 142	723 000
61 - 90 days	1 467 330	776 171
> 90 days	39 380 763	22 304 454
	44 190 548	24 712 715
Less: Allowance for impairment	(31 834 507)	(18 955 375)
	12 356 041	**5 757 340**

Industrial/ commercial

Current (0 -30 days)	724 164	126 222
31 - 60 days	566 165	68 998
61 - 90 days	478 530	50 722
> 90 days	11 345 113	1 496 447
	13 113 972	1 742 389
Less: Allowance for impairment	(9 738 186)	(355 973)
	3 375 786	**1 386 416**

National and provincial government

Current (0 -30 days)	414 440	153 014
31 - 60 days	364 051	122 297
61 - 90 days	330 088	171 104
> 90 days	6 226 153	3 907 150
	7 334 732	4 353 565
Less: Allowance for impairment	(4 918 256)	(3 369 407)
	2 416 476	**984 158**

Reconciliation of allowance for impairment

Balance at beginning of the year	32 313 735	26 880 611
Contributions to allowance	14 178 246	4 308 906
Amounts written off as uncollectible	1 085 259	1 124 218
	47 577 240	**32 331 735**

Notes to the Financial Statements

Figures in Rand	2015	2014

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 295	810
Bank balances	3 193 269	15 215 599
	3 194 564	**15 216 409**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book bala**	
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 201**
First National Bank - Current Account Number 527115689918 and ABSA Bank - Current Account number 4048034774	3 196 595	16 027 494	1 901 060	3 193 269	15 032 02

The municipality maintains one cash book for its primary bank account with First National Bank and the ABSA bank account.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Donations and public contributions	**Total**
Opening balance	2 022 113	2 022 113

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Donations and public contributions	**Total**
Opening balance	2 022 113	2 022 113

Figures in Rand	2015	2014

17. Finance lease obligation

Minimum lease payments due		
- within one year	270 105	57 735
- in second to fifth year inclusive	281 709	14 263
	551 814	71 998
less: future finance charges	(208 211)	(29 905)
Present value of minimum lease payments	**343 603**	**42 093**
Present value of minimum lease payments due		
- within one year	128 974	30 880
- in second to fifth year inclusive	214 629	11 213
	343 603	**42 093**
Non-current liabilities	214 628	12 564
Current liabilities	128 974	29 529
	343 602	**42 093**

It is municipality policy to lease certain copiers and cell phones under finance leases.

The average lease term was 3 years for copier leases, 2 years for cell phones and the average effective borrowing rate was 9% (2014: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	3 105 799	735 628
Department of Roads and Transport Grant	1 416 404	1 416 404
Department of Water affairs Grant (DWA)	9 241 755	11 041 819
Department of Health Grant (DOH)	115 000	115 000
Accelerated Community Development Programme (ACIP)	-	404 475
	13 878 958	**13 713 326**

Movement during the year

Balance at the beginning of the year	13 713 326	1 878 724
Additions during the year	70 552 000	78 144 500
Income recognition during the year	(70 386 368)	(66 309 898)
	13 878 958	**13 713 326**

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

See note 28:Government grants and subsidies for reconciliation of grants from National/Provincial Government.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

Figures in Rand	2015	2014

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Unwinding of interest	Change in discount factor	Total
Environmental rehabilitation	7 637 387	510 941	(329 621)	7 818 707

Reconciliation of provisions - 2014

	Opening Balance	Unwinding of interest	Total
Environmental rehabilitation	7 158 484	478 903	7 637 387

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R 7 818 707 (2014: R 7 637 387) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate adjusted for municipal specific risks.

The Inflation rate used to calculated the cost to rehabilitate the landfill sites at the end of their useful lives is 6%. The discounting rate of 6.95% (2014: 6.69%) was calculated as the Weighted Average Cost of Capital 4.40% (2014: 4.15%) adjusted for risks specific to the municipality. The main risks included in the discounting rate adjustment is census information on the equitable share which shows a decrease in the future equitable shares and the risk that money market investments won`t be sufficient to rehabilitate the sites if its the only funding used to settle the rehabilitation costs.

	Proposed Rehabilitation		
Jacobsdal	2028/2029	2 245 923	2 048 675
Koffiefontein	2038/2039	1 430 080	1 327 850
Luckhoff	2028/2029	1 213 555	1 099 123
Oppermansdorp	2032/2033	1 370 737	1 254 165
Petrusburg	2033/2034	1 558 412	1 428 672
		7 818 707	**7 158 485**

20. Payables from exchange transactions

Accrued bonus	759 407	589 882
Accrued expenses	2 501 643	4 989 541
Accrued leave pay	2 217 401	1 836 474
Deffered income - Prepaid electricity	83 077	50 919
Deposits received	-	1 463
Employee related liabilities	733 207	130 989
Payments received in advanced - debtors	508 814	1 109 876
Retention monies	146 900	475 157
Unknown deposits	2 532 789	1 106 471
	9 483 238	**10 290 772**

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

Figures in Rand	2015	2014

20. Payables from exchange transactions (continued)

The Defered revenue arises from pre-paid electricity sold in the current year that was not consumed before the end of June 2015.

Included in Employee related liabilities are the amounts outstanding as settled between the Municipality and the former employees Mr. M.V. Morobane R 560 000 (2014: R 0) and Mr. J Mongalo R 173 206. 53 (2014: R 0). For more detail refer to note 43

21. Consumer deposits

	2015	2014
Electricity	217 346	222 174
Water	504 436	471 173
	721 782	**693 347**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

22. Revenue

	2015	2014
Administration and management fees received	-	253 242
Dividends received	4 515	3 059
Fees earned	-	88 852
Fines, Penalties and Forfeits	4 500	48 520
Government grants & subsidies	70 386 368	78 310 498
Interest received (trading)	4 743 169	2 637 190
Interest received - investment	1 849 970	1 106 751
Licences and permits	-	923
Property rates	15 072 772	9 320 648
Recoveries	3 517 136	-
Rental of facilities and equipment	246 094	344 867
Service charges	38 374 202	37 576 635
Sundry income	-	97 205
Sundry municipal service income	-	287 620
	134 198 726	**130 076 010**

	2015	2014
Administration and management fees received	-	253 242
Dividends received	4 515	3 059
Fees earned	-	88 852
Interest received (trading)	4 743 169	2 637 190
Interest received - investment	1 849 970	1 106 751
Licences and permits	-	923
Recoveries	3 517 136	-
Rental of facilities and equipment	246 094	344 867
Service charges	38 374 202	37 576 635
Sundry income	-	97 205
Sundry municipal service income	-	287 620
The amount included in revenue arising from exchanges of goods or services are as follows:		
	48 735 086	**42 396 344**

Figures in Rand	2015	2014

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	15 072 772	9 320 648
Transfer revenue		
Government grants & subsidies	70 386 368	78 310 498
Fines, Penalties and Forfeits	4 500	48 520
	85 463 640	**87 679 666**

23. Service charges

Sale of electricity	14 164 396	14 676 266
Sale of water	7 039 147	7 424 364
Sewerage and sanitation charges	8 862 105	7 720 153
Refuse removal	8 308 555	7 755 852
	38 374 203	**37 576 635**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. Rental of facilities and equipment

Premises		
Premises	246 094	285 735
Venue hire	-	24 015
	246 094	**309 750**
Facilities and equipment		
Rental of equipment	-	35 117
	246 094	**344 867**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

25. Other revenue

Administration and management fees received - third party	-	253 242
Fees earned	-	88 852
Insurance claim proceeds: Key man policy	3 517 136	-
Other municipal service income	-	287 620
Sundry income	-	97 205
	3 517 136	**726 919**

26. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	4 515	3 059
Interest revenue		
Investments	1 849 970	1 106 751
	1 854 485	**1 109 810**

Notes to the Financial Statements

Figures in Rand	2015	2014

27. Property rates

Rates received

	2015	2014
Residential	15 072 772	9 320 648

Valuations

	2015	2014
Residential	543 576	543 576 000
Commercial	163 187	163 187 000
State	87 817	87 817 000
Municipal	368 086	368 086 000
Small holdings and farms	1 671 639	1 671 639 000
Other	52 579	52 579 000
	2 886 884	**2 886 884 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.52 (2014: R 0.41) is applied to property valuations in terms of the Property Rates Act to determine assessment rates. Rebates of 9.00% (2014: 8.33%) are granted to residential and state property owners.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Figures in Rand	2015	2014

28. Government grants and subsidies

	2015	2014
Operating grants		
National: Equitable share	49 449 000	50 434 000
Capital grants		
Financial Management Grant (FMG)	1 800 000	1 650 000
MSIG	934 000	890 000
DWA	1 800 064	2 292 181
MIG	13 638 829	20 236 372
COGTA	-	347 320
ACIP	1 754 475	1 460 625
EPWP	1 010 000	1 000 000
	20 937 368	**27 876 498**
	70 386 368	**78 310 498**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2015	2014
Conditional grants received	20 937 000	27 876 498
Unconditional grants received	49 449 000	50 434 000
	70 386 000	**78 310 498**

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 172 (2014: R 166), based on the monthly billing which is funded from the grant. Al residential households receive 6 kl water and 50kWh electricity (indigents only) free every month. R1 254 000 (2014: R 0) have been withheld during the year.

National: MIG funds

	2015	2014
Balance unspent at beginning of year	735 628	-
Current-year receipts	16 009 000	20 972 000
Conditions met - transferred to revenue: Capital expenses	(13 638 829)	(20 236 372)
	3 105 799	**735 628**

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households,micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R 735 628 was withheld during the current year.

National: EPWP Grant

	2015	2014
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue: Operating expenses	-	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No amount was withheld during the year.

Figures in Rand	2015	2014

28. Government grants and subsidies (continued)

National: FMG Grant

Current-year receipts	-	1 650 000
Conditions met - transferred to revenue	-	(1 650 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

National: MSIG Funds

Current-year receipts	-	890 000
Conditions met - transferred to revenue	-	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

National: Cooperative Government & Traditional Affairs (COGTA)

Current-year receipts	-	347 320
Conditions met - transferred to revenue	-	(347 320)
	-	-

Conditions still to be met - remain liabilities (see note 18).

This grant was received for the payment of the CFO's salary. No funds were witheld.

Provincial: Roads and Transport Grant

Balance unspent at beginning of year	1 416 404	1 416 404

Conditions still to be met - remain liabilities (see note 18).

The grant was used to finance the upgrading and construction of the street network within the municipal boundaries. No amount was witheld during the year.

National: Department Water Affairs (DWA) - Other Capital Projects

Balance unspent at beginning of year	11 041 819	-
Current-year receipts	-	13 334 000
Conditions met - transferred to revenue	(1 800 064)	(2 292 181)
	9 241 755	**11 041 819**

Conditions still to be met - remain liabilities (see note 18).

To facilitate the planning, acceleration and implementation of various projects that will insure water supply to communities identified as not receiving a basic water supply service. No amount was witheld during the year.

Notes to the Financial Statements

Figures in Rand	2015	2014

28. Government grants and subsidies (continued)

Provincial: Health Subsidies

Balance unspent at beginning of year	115 000	115 000

Conditions still to be met - remain liabilities (see note 18).

This grant has been used to fund environmental health care services, which services are in a process of being transferred to Provincial Government. This grant will then fall away. No funds have been withheld.

Provincial: Accelerated Community Development Programme (ACIP)

Balance unspent at beginning of year	404 475	1 865 100
Current-year receipts	1 350 000	-
Conditions met - transferred to revenue	(1 754 475)	(1 460 625)
	-	**404 475**

The purpose of this grant is for the upgrading of the Koffiefontein sewer pump system. No amount was witheld during the year.

Conditions still to be met - remain liabilities (see note 18).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Employee related costs

Figures in Rand	2015	2014
Bonuses	-	127 270
Car allowance	2 551 250	1 992 697
Contribution to pension fund	2 637 898	2 006 121
Defined benefit plan expenditure	196 664	(32 157)
Housing benefits and allowances	332 465	337 616
Industrial council	15 174	9 283
Leave pay provision charge	2 093 268	1 010 600
Long-service awards	121 522	-
Medical aid - company contributions	1 753 492	1 203 963
Overtime payments	3 695 197	1 899 946
Salaries and wages	25 389 976	19 758 534
Telephone allowance	86 200	67 532
UIF	239 811	162 887
Workmans compensation contributions	575 555	297 411
	39 688 472	**28 841 703**

Remuneration of municipal manager

	2015	2014
Annual Remuneration	636 625	616 602
Car Allowance	212 208	70 824
Contributions to UIF, Medical and Pension Funds	2 447	-
Other	41 486	145 919
Acting Allowance	-	39 425
	892 766	**872 770**

Mr. B.A. Mnguni was appointed 1 August 2014 as Municipal Manager.

Remuneration of chief finance officer

	2015	2014
Annual Remuneration	-	745 545
Car Allowance	118 350	24 000
Cell phone allowance	2 500	-
Contributions to UIF, Medical and Pension Funds	30 579	45 204
Other	41 844	57 426
Acting Allowance	308 850	59 899
	502 123	**932 074**

Mr. Z. Manjiya held the position of CFO for the period 1 July 2014 till 31 August 2014.

Mr L. Mashiane acted as CFO from 1 September 2014 to 31 March 2015.

Ms. J. Mazinyo is the current acting CFO. She started acting as CFO from 1 April 2015.

The remuneration of all the above mentioned was disclosed as part of the remuneration of the Chief Financial Officer.

Renumeration of the Manager: Technical Services

	2015	2014
Annual Remuneration	427 218	613 500
Car Allowance	111 494	148 069
Acting allowance	69 866	-
Contributions to UIF, Medical and Pension Funds	29 540	-
Other	20 274	21 203
	658 392	**787 772**

Figures in Rand	2015	2014

29. Employee related costs (continued)

Renumeration of the Manager: Corporate Services

Annual Remuneration	237 000	173 967
Car Allowance	63 000	32 000
Contributions to UIF, Medical and Pension Funds	48 367	14 524
Acting Allowance	85 493	112 107
Other	48 764	36 245
	482 624	**368 843**

30. Remuneration of councillors

Mayor	693 630	2 586 400
Councillors	2 449 837	587 511
	3 143 467	**3 173 911**

31. Administrative expenditure

Administration and management fees - third party	174 019	14 331

32. Depreciation and amortisation

Property, plant and equipment	34 390 624	33 529 302

33. Impairment of assets

Impairments

Property, plant and equipment	592 649	-

Property, plant and equipment have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.

34. Finance costs

Bank	665 446	620 583

35. Debt impairment

Contributions to debt impairment provision	14 178 246	4 298 925
Bad debts written off	1 085 259	1 134 199
	15 263 505	**5 433 124**

36. Bulk purchases

Electricity	18 850 444	17 499 255
Water	3 754 339	5 292 712
	22 604 783	**22 791 967**

Figures in Rand	2015	2014

37. General expenses

Accommodation cost	755 817	767 007
Advertising	294 671	367 244
Auditors remuneration	2 810 476	3 287 450
Bank charges	248 761	159 298
Chemicals	1 518 006	1 647 922
Consulting and professional fees	4 871 773	5 509 468
Consumables	457 682	74 115
Donations	233 206	-
Electricity	3 536 913	2 486 030
Entertainment	119 060	384 691
Fines and penalties	-	2 300
Fuel and oil	1 011 038	933 117
Funeral cost	36 417	27 138
Hire	1 881 750	3 237 371
IT expenses	333 137	93 446
Insurance	3 719 297	440 550
Postage and courier	15 998	94 847
Printing and stationery	388 327	664 432
Refuse	-	979
Royalties and license fees	97 273	541 279
Special events and programs	1 097 744	576 464
Subscriptions and membership fees	549 354	1 497
Sundry expenses	886 906	1 075 488
Telephone and fax	1 581 709	2 193 230
Training	530 314	150 026
Travel - local	318 983	671 548
Uniforms	216 510	161 186
WARD committee expense	264 246	165 500
Water tests	329 645	700 747
	28 105 013	**26 414 370**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

Sundry expenses include the expenditure to settle the amounts owed to the two former employees. Refer to note 43: Contingencies for further information.

Insurance expenses include the claims received by the Municipality in 2014/2015. The proceeds was paid over to the beneficiaries of the key man policies paid by the Municipality.

No other extra-ordinary expenses were incurred.

38. Fair value adjustments

Other financial assets		
• Other financial assets - Unlisted shares (Designated as at FV through P&L)	13 805	14 475

Notes to the Financial Statements

Figures in Rand	2015	2014

39. Auditors' remuneration

	2015	2014
Fees	2 810 476	3 287 450

40. Cash (used in) generated from operations

	2015	2014
(Deficit) surplus	(13 957 664)	6 013 983
Adjustments for:		
Depreciation and amortisation	34 390 624	33 529 302
Fair value adjustments	(13 805)	(14 475)
Impairment deficit	592 649	-
Debt impairment	15 263 504	5 433 125
Movements in retirement benefit assets and liabilities	(3 759)	470 339
Movements in provisions	181 321	478 903
Appropriations to/ from Internal Reserves	(7 567 781)	(10 513 718)
Changes in working capital:		
Inventories	(6 162 855)	(582 482)
Receivables from exchange transactions	(4 924 051)	(5 132 615)
Consumer debtors	(15 263 504)	(5 433 125)
Other receivables from non-exchange transactions	(2 418 896)	(2 587 358)
Payments in advance	511 879	(511 879)
Payables from exchange transactions	(807 532)	326 894
VAT	(4 229 704)	2 686 152
Unspent conditional grants and receipts	165 632	11 834 603
Consumer deposits	28 436	78 487
	(4 215 506)	**36 076 136**

41. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Money Market Investments	-	10 185 062	10 185 062
Investment in Unlisted shares	121 030	-	121 030
Other receivables from non-exchange transactions	-	5 628 679	5 628 679
Consumer debtors	-	14 282 457	14 282 457
Cash and cash equivalents	-	3 194 564	3 194 564
Cash Floats and Advances	1 295	-	1 295
VAT	-	6 022 400	6 022 400
Deposits	-	1 286 862	1 286 862
	122 325	**40 600 024**	**40 722 349**

Financial liabilities

	At fair value	At amortised cost	Total
Unspent conditional grants and receipts	13 878 958	-	13 878 958
Trade and other payables from exchange transactions	-	9 483 238	9 483 238
Consumer deposits	-	721 782	721 782
Employee benefit obligation	594 767	-	594 767
Provisions	-	7 818 707	7 818 707
Finance leases	-	343 602	343 602
	14 473 725	**18 367 329**	**32 841 054**

. Financial instruments disclosure (continued)

2014

Financial assets

	At fair value	At amortised cost	Total
Money Market Investments	-	18 302 064	18 302 064
Investment in Unlisted shares	107 225	-	107 225
Other receivables from non-exchange transactions	-	3 209 782	3 209 782
Consumer debtors	-	7 352 885	7 352 885
Cash and cash equivalents	-	15 032 025	15 032 025
Cash Floats and Advances	810	-	810
VAT	-	1 792 696	1 792 696
Deposits	-	1 229 559	1 229 559
Prepayments	-	511	511
	108 035	**46 919 522**	**47 027 557**

. Financial instruments disclosure (continued)

Financial liabilities

	At fair value	At amortised cost	Total
Unspent conditional grants and receipts	13 713 326	-	13 713 326
Trade and other payables from exchange transactions	-	9 688 569	9 688 569
Finance leases	-	42 093	42 093
Consumer deposits	-	693 347	693 347
Employee benefit obligation	5 951 526	-	5 951 526
Provisions	-	7 637 387	7 637 387
	19 664 852	**18 061 396**	**37 726 248**

Financial instruments in Statement of financial performance

2015

2014

	At fair value	Total
Net gains on financial instruments	14 750	14 750

42. Commitments

Authorised capital expenditure

	2015	2014
Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure	17 476 622	15 320 909
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - Infrastructure	2 535 560	3 805 504
Total capital commitments		
Already contracted for but not provided for	17 476 622	15 320 909
Not yet contracted for and authorised by accounting officer	2 535 560	3 805 504
	20 012 182	**19 126 413**

Total commitments

	2015	2014
Total commitments		
Authorised capital expenditure	20 012 182	19 126 413

This committed expenditure relates to property, plant and equipment and will be financed from own resources.

43. Contingencies

Court Proceedings:

(i) Termination of Contract: Mr. V.M. Morobane

The municipality is being sued by the plaintiff, Mr. V.M. Morobane for unfair dismissal and/ or unfair labour practice. Mr. V.M. Morobane resigned after he was allegedly treated unfair by Management. He resigned by letter on 11 February 2010. He was employed in terms of fixed term contract for five years as Corporate Service Manager on 6 September 2006. Mr VM Morobane's condition for resigning was that he should be paid the remainder of his contract of employment. Council conveyed a letter which stated that the resignation was accepted and he would not be paid for the remainder of his contract. Mr VM Morobane subsequently issued summons in the Free State High Court for payment of the unpaid salary amounting to R 771 567. The High Court dismissed the grounds of defence. Appeal against the High Court's judgement was made and the Supreme Court of Appeal. The appeal was scheduled to be heard in High Court on 24-28 November 2014 and 1-5 December 2014. The municipality however reached a settlement with Mr. V.M. Morobane in January 2015. The Municipality will pay Mr. Morobane R 760 000 which includes legal fees of R 60 000. The amount will be paid in 5 monthly installments of R 140 000 each starting 30 April 2015.

(ii) Review application : J Mongalo

The municipality was reviewing an award to pay R 105 000 to Mr. J Mongalo. The estimated litigation was R 100 000 in the previous financial year. The municipality however reached a settlement with Mr. J Mongalo in January 2015. The Municipality will pay Mr. Mongola R 173 207. The amount will be paid in 5 monthly installments of R 34 361 each starting 31 July 2015.

(iii) Contingent liability - Unlicensed landfill sites:

The municipality managed 3 landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

Contingent assets

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

44. Related parties

During the year there were no related party transactions. The Municipality has various processes in place to identify and note any related party balances and transactions. These range from disclosure on the bid documents to maintenance of a conflict register for councillors and senior managers, this is kept in the office of the Municipal Manager.

45. Change in estimate

Provision for the rehabilitation of Land-fill sites

The discount rate (weighted average cost of capital) used in 2014 of 6.65% was estimated in 2015 to be 6.95%. In the current financial period management revised their estimate. The main reason for the revision was due to the increase in the prime interest rate on investments. The effect of this revision has decreased the provision for landfill-site rehabilitation for the current and future periods by R 329 621

The effect of this revision lead to the decrease in the nett present value of future payments, resulting in a decrease of R 2 853 for the current period in the unwinding of interest. interest expense decrease from R 510 941 to R 508 088 in the current period.

Notes to the Financial Statements

Figures in Rand	2015	2014

46. Prior period errors

The provision for revenue usage in June 2013 and June 2014 billed after year end was erroneously accounted for in the 2013/2014 Annual Financial Statements. The amounts for water (R 365 856) and electricity (R 347 717) that was omitted amounted to R 713 573.

Building renovation expenditure was incorrectly classified as Repairs and Maintenance expenditure in the 2013/2014 Annual Financial Statements. Increase of R 78 400 in Buildings - cost and a decrease of R 78 400 in Repairs and Maintenance expenditure occurred.

Capitalising cell phone contracts for the 2012/2013 and 2013/2014 financial periods. The cell phone contracts qualify as Finance leases i.T.O. GRAP 13 : Leases. Cell phones with a cost of R 42 839 was capitilised in 2012/2013. Lease liabilities increased by R 34 152. Opening Accumulated Surplus or Deficit increased by R 8 687. In 2013/2014 Cell phones with a cost of R 32 442 was capitilised. The increase in the Lease liability amounted to R 7 940 while the Telephone expenditure decreased by R 69 835 and interest expense increased by R 45 334.

Correction of Other assets capitilised in the incorrect period. Increase in Other assets R 4 291. Increase in payments in advance of R 11 879, Increase in Sundry payables R 17 865 and a increase in Network and server expenses of R 1 685 occurred.

Property, Plant and Equipment have been restated. The restatement occurred due to condition assessments done on all asset classes. The infra structure networks were also evaluated and restatements were made. Opening Accumulated Surplus or Deficit increased with R 75 360 249 while the opening balance - cost for Land and Buildings (R 162 473) and Infra structure (R 362 708 339) have increased respectively. Increase in Infra structure accumulative depreciation was R 289 438 175 . The opening balance of Other assets was restated which lead to a decrease in the cost of R 34 703, a decrease of accumulative depreciation of R 1 631 286. Intangibles was reassessed leading to an increase in depreciation of R 75 000 and a decrease in Accumulative depreciation of R 260 034. Due to the restatement of assets the depreciation and Accumulative depreciation for Infrastructure assets increased with R 14 266 413

Correction of Eskom deposits held. The movement in the deposits held by Eskom was incorrectly recorded in 2013/2014. Decrease in Receivables from non-exchange transactions R 7 243 and an increase in Electricity expense of R 7 243 occurred.

Correction of inventory for the 2013/2014 posted to expenditure votes. The values was obtained during the current financial period. Increase in Inventory R 582 521 and a decrease in Equipment and tools expenditure of R 582 521 was recorded.

Correction of Salary control account balance. June 2014 subsistence and travel allowances paid in July 2014. An increase in the Salary control account and Employee cost of R 130 989 was recorded.

Correction of journal processed twice in the 2013/2014. The correction of the journal lead to an increase in Consumer debtors of R 105 477 and an increase in Interest income R 26 138, Rental income R 81 194 and a decrease in Service income - Sanitation of R 1 855. Asset additions were posted expense votes. Correction of these additions lead to an increase in Infrastructure assets (R 1 614 585), Building improvements (R 727 157) and Other assets of R 30 458. The repairs and maintenance and Consulting expenditure decreased with R 2 372 200.

Correction of faulty processing in the previous financial year. Correction lead to increase in Sundry payables of R 382 735, an increase in Other debtors of R 199 206, an increase in Rental expense R 382 735, a decrease in VAT provision account of R 24 464 and a decrease in consulting fee expense of R 174 742.

The correction of the errors results in adjustments as follows:

Notes to the Financial Statements

Figures in Rand	2015	2014

46. Prior period errors (continued)

Statement of financial position		
Increase/(decrease) in Buildings - Cost	-	78 400
Increase/(decrease) Consumer debtors - Water	-	365 856
Increase/(decrease) Consumer debtors - Electricity	-	347 717
Increase/(decrease) in Lease assets - Cost	-	75 281
Increase/(decrease) in Receivables from exchange transactions - Eskom deposits	-	(7 243)
Decrease/(increase) in Finance lease liability	-	(42 092)
Increase/(decrease) in Other assets - Cost	-	(34 703)
Increase/(decrease) in Infra structure - Cost	-	362 708 339
Increase/(decrease) in Buildings - Cost	-	162 473
(Increase)/decrease in Other assets - Accumulative depreciation	-	1 631 286
(Increase)/decrease in Infrastructure assets - Accumulative depreciation	-	(289 438 175)
(Increase)/decrease in Intangible assets - Accumulative depreciation	-	260 034
(Increase)/decrease in Other assets - Accumulative depreciation	-	(45 076)
Increase/(decrease) in Other assets - Cost	-	4 291
Increase/(decrease) in Payments in advance	-	11 879
(Increase)/decrease in Payables from non-exchange transactions - Sundry payables	-	(17 865)
Increase/(decrease) in Inventory	-	582 521
(Increase)/decrease in Payables from exchange transactions - Salary control account	-	(130 989)
Increase/(decrease) in Receivables from exchange transactions - Consumer debtors	-	105 477
(Increase)/decrease in Payables from non-exchange transactions - Sundry payables	-	(382 735)
(Increase)/decrease in Payables from non-exchange transactions - VAT	-	24 464
Increase/(decrease) in Other debtors	-	199 206
(Increase)/decrease in Infrastructure assets - Accumulative depreciation	-	(14 266 413)
Decrease/(increase) in Opening Accumulated Surplus or Deficit	-	(76 107 534)
Statement of Financial Performance		
Increase/ (decrease) in other expenses - Repairs and Maintenance	-	(74 800)
Decrease/(increase) in revenue from exchange transactions - Service charges - Water	-	(28 234)
Decrease/(increase) in revenue from exchange transactions - Service charges - Electricity	-	(5 280)
Increase/ (decrease) in Depreciation	-	70 994
Increase/ (decrease) in Depreciation	-	25 216
Increase/ (decrease) in Electricity expense	-	7 243
Increase/ (decrease) in Network and server expenses	-	1 695
Increase/ (decrease) in Equipment and tools expense	-	(582 521)
Increase/ (decrease) in Employee related cost	-	130 989
Decrease/(increase) in revenue from exchange transactions - Service charges - Sanitation	-	1 855
Decrease/(increase) in Rental income	-	(81 194)
Decrease/(increase) in Interest	-	(26 138)
Decrease/(increase) in Rental expense	-	382 735
Increase/ (decrease) in Consulting fees	-	(350 484)
Increase/ (decrease) in Depreciation	-	14 266 413
Increase/ (decrease) in Finance cost	-	45 334
Increase/ (decrease) in Telephone expense	-	(69 835)
Increase/ (decrease) in Repairs and maintenance	-	(2 196 458)

Notes to the Financial Statements

Figures in Rand	2015	2014

47. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

	2015	2014
Statement of financial position		
Receivables from exchange transactions - Other debtors	-	(235 052)
Payables from exchange transactions - Unclaimed consumer credits	-	235 052
Payables from exchange transactions - Retentions	-	(70 613)
Property, plant and equipment - Infra structure	-	70 613
Statement of Financial Performance		
Grants and subsidies paid	-	6 221 283
Repairs and maintenance	-	(6 221 283)
Contracted services	-	(4 636 840)
General expenses	-	4 636 840
General expenses - Accommodation cost	-	84 996
Contracted services	-	1 104 945
Employee related cost	-	2 316 719
Grants and subsidies paid	-	(4 628 609)
General expenses - Other	-	21 406
General expenses - Rental expense	-	4 800
Repairs and maintenance	-	584 057
General expenses - Training	-	11 999
General expenses - Ward committee management	-	88 000
General expenses - Water	-	411 688

48. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

48. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

48. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Figures in Rand	2015	2014

48. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

49. Going concern

Management considered the following matters relating to the Going Concern:

(i) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

50. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

51. Unauthorised expenditure

	2015	2014
Opening balance	64 555 974	47 809 521
Unauthorised expenditure - current year	32 977 247	16 746 453
	97 533 221	**64 555 974**

The unauthorised expenditure for the year occurred due to budgeted votes being exceeded:

Figures in Rand	2015	2014

51. Unauthorised expenditure (continued)

- Finance and Administration - R26 052 025 (2014: R13 246 545)

- Planning and Development - R0 (2014: R 0)

- Community and Social Services - R 6 925 222(2014: R 3 499 908)

- Technical - R0 (2014: R0)

52. Fruitless and wasteful expenditure

	2015	2014
Fruitless and wasteful expenditure	1 587 068	1 095 610
Fruitless and wasteful expenditure - current year	119 737	491 458
Condoned or written off by Council	(119 737)	-
	1 587 068	**1 587 068**

The current year fruitless and wasteful expenditure occurred due to the following incidents:

Interest paid to creditors on late payments - Eskom, Telkom, UFS, Oranje Riet and KWJ attorneys - R (2014: R91 593).

Fines paid to Dihlabeng Traffic department and Mangaung Metropolitan Municipality - R (2014: R2 300).

De waal nortje ingelyf quantity surveyors and KWJ attorneys for Legal cost incurred - R (2014: R 15 210).

VAT paid to non vendors for SMME projects - R (2014: R 337 282).

Damage to vehicle not insured - R (2014: R45 074).

Interest and penalties due to late payments of VAT R 119 737 (2014: R45 074).

All the incidents above will be submitted to council for condonement.

53. Irregular expenditure

	2015	2014
Opening balance	88 064 441	67 665 993
Add: Irregular Expenditure - current year	604 181	20 398 448
Less: Amounts condoned	(604 181)	-
	88 064 441	**88 064 441**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure contrary to SCM Processes	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".	604 181

Details of irregular expenditure condoned

	Condoned by Council	
Expenditure contrary to SCM Processes	Council condoned the irregular expenditure on 27 August 2015	(604 181)

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Council Subscription	30 341	525 700
Amount paid - current year	(30 341)	(525 700)
	-	-

Figures in Rand	2015	2014

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Loss for the year - Electricity	1 252 178	2 263 725
Loss for the year - Water	8 462 344	3 275 838
	9 714 522	**5 539 563**

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Percentage Distribution Loss: 6.64% (2014: 13%)

Electricity distribution losses for the period exceeds the norm of 7% - 10% as per section 125 of the MFMA.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

Percentage Distribution Loss: 55.77% (2014: 18%)

Audit fees

Opening balance	4 408	-
Current year fee	2 806 067	3 291 858
Amount paid - current year	(2 804 658)	(3 287 450)
	5 817	**4 408**

PAYE, SDL and UIF

Opening balance	49 861	(6 349)
Current year subscription / fee	4 883 270	3 736 965
Amount paid - current year	(4 883 270)	(3 680 935)
	49 861	**49 681**

Pension and Medical Aid Deductions

Opening balance	(294 188)	(253 702)
Current year subscription / fee	4 698 820	3 694 645
Amount paid - current year	(5 334 304)	(3 735 131)
	(929 672)	**(294 188)**

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2015 payroll, as well as the municipality's contributions to these funds.

VAT

VAT receivable	6 022 400	1 792 696

VAT output payables and VAT input receivables are shown in note 13.

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts. These amounts are deducted from their salary on a monthly basis.

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Finance leases			42 092	382 060	80 550	343 602	283 041	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			42 092	**382 060**	**80 550**	**343 602**	**283 041**	**-**

APPENDIX B

LETSEMENG LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	98 544 657	-	-	-	-	-	98 544 657	-	-	-	-	-	98 544 657
Buildings	60 818 321	-	-	10 537 853	-	-	71 356 173	25 554 397	1 247 602	-	-	26 801 999	44 554 174
Total	**159 362 978**	**-**	**-**	**10 537 853**	**-**	**-**	**169 900 830**	**25 554 397**	**1 247 602**	**-**	**-**	**26 801 999**	**143 098 831**
Infrastructure													
Electricity													
LV Network	78 787 966	-	-	68 790	-	-	78 856 755	37 313 069	4 441 313	-	-	41 754 382	37 102 373
MV Network	11 389 179	161 026	-	-	-	-	11 550 205	4 935 879	264 822	-	-	5 200 700	6 349 505
Sub Station	2 533 568	-	-	-	-	-	2 533 568	961 347	90 557	-	-	1 051 904	1 481 664
Buildings	1 093 619	-	-	-	-	-	1 093 619	408 158	34 619	-	-	442 777	650 841
Roads													
Road Structures	295 105 453	4 557 682	-	3 145 627	-	-	302 808 762	146 194 915	10 850 563	-	-	157 045 478	145 763 284
Storm Water	22 322 286	481 908	-	-	-	-	22 804 193	10 851 066	375 317	-	-	11 226 383	11 577 810
Traffic Management	2 529 314	76 683	-	-	-	-	2 605 997	1 197 665	151 104	-	-	1 348 769	1 257 228
Bridges	7 778 033	-	-	-	-	-	7 778 033	4 180 693	97 225	-	-	4 277 918	3 500 115
Sanitation													
Collection / Reticulation Network	190 226 097	-	-	4 217 115	-	-	194 443 212	106 644 226	3 804 522	-	-	110 448 747	83 994 465
Solid Waste	2 303 308	-	-	-	-	-	2 303 308	1 930 504	19 902	-	-	1 950 406	352 903
Sewer Pump Stations	5 837 236	1 202 472	-	-	-	-	7 039 707	2 696 896	300 047	-	-	2 996 943	4 042 765
Waste Water Treatment	40 807 682	205 133	-	-	-	-	41 012 814	18 529 738	1 079 949	-	-	19 609 687	21 403 127
Water													
Storage	26 750 566	2 232	-	2 727 621	-	-	29 480 419	9 973 034	657 759	-	-	10 630 793	18 849 626
Water Treatment Plant	102 342 577	120 015	-	-	-	-	102 462 592	54 108 845	2 785 020	-	-	56 893 866	45 568 726
Water Pump Stations	30 679 505	429 379	-	-	-	-	31 108 884	16 605 910	1 676 913	-	-	18 282 822	12 826 061
Water Storage	12 755 566	14 844	-	-	-	-	12 770 411	5 718 888	363 111	-	-	6 081 999	6 688 411
Boreholes	2 970 452	95 011	-	-	-	-	3 065 463	2 052 218	139 554	-	-	2 191 772	873 692
Distribution / Reticulation System	31 952 804	-	-	-	-	-	31 952 804	15 976 402	1 597 640	-	-	17 574 042	14 378 762
Distribution / Reticulation Network	180 419 320	-	-	-	-	-	180 419 320	88 295 532	3 006 989	-	-	91 302 521	89 116 799
Total	**1 048 584 529**	**7 346 385**	**-**	**10 159 153**	**-**	**-**	**1 066 090 067**	**528 574 984**	**31 736 925**	**-**	**-**	**560 311 910**	**505 778 158**

APPENDIX B
LETSEMENG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Leased Assets													
Office Equipment	75 281	382 060	-	-	-	(56 561)	400 780	45 076	110 100	-	(37 438)	117 738	283 042
Total	75 281	382 060	-	-	-	(56 561)	400 780	45 076	110 100	-	(37 438)	117 738	283 042
Other Assets													
Emergency equipment													
Emergency / Rescue Equipment	10 471.68	6 930.00	-	-	-	-1 743.00	15 658.68	3 307.24	2 338.04	-	-1 345.73	4 299.55	11 359.13
Fire Fighting Equipment	34 406.00	18 814.56	-	-	-	-4 800.00	48 420.56	16 267.48	6 330.77	-	-2 029.34	20 568.90	27 851.66
Motor vehicles													
Bicycles And Motorcycles	59 650.12	-	-	-	-	-	59 650.12	10 997.85	5 726.41	-	-	16 724.26	42 925.86
Trailers And Accessories	357 100.00	-	-	-	-	-63 900.00	293 200.00	36 710.14	13 828.83	-	-23 753.16	26 785.81	266 414.19
Tractors	600 800.00	-	-	-	-	-	600 800.00	106 703.07	18 034.10	-	-	124 737.17	476 062.83
LDVs And 4X4S	516 646.00	-	-	-	-	-	516 646.00	115 963.61	23 133.16	-	-	139 096.77	377 549.23
Passenger Vehicles	301 900.00	-	-	-	-	-	301 900.00	78 429.74	15 677.36	-	-	94 107.10	207 792.90
Trucks, Buses And LDVs	1 531 000.00	-	-	-	-	-	1 531 000.00	257 979.71	45 218.18	-	-	303 197.89	1 227 802.11
Furniture and fittings													
Tables And Desks	857 579.46	80 699.00	-	-	-	-46 225.97	892 052.49	373 609.28	93 289.63	-	-26 717.39	440 181.52	451 870.96
Chairs And Couches	1 011 608.17	23 700.00	-	-	-	-32 841.32	1 002 466.85	391 679.28	104 946.29	-	-17 531.07	479 094.51	523 372.34
Other Furniture And Fittings	172 025.12	-	-	-	-	-54 246.92	117 778.20	58 649.98	21 117.82	-	-23 440.86	56 326.94	61 451.26
Cabinets And Cupboards	483 672.36	82 648.85	-	-	-	-15 664.36	550 656.85	202 083.06	55 434.93	-	-7 950.93	249 567.07	301 089.78
Shelving And Bookcases	162 900.76	-	-	-	-	-3 718.00	159 182.76	69 765.32	14 069.14	-	-1 842.32	81 992.14	77 190.63
Plant and equipment													
Laboratory Equipment	53 128.24	-	-	-	-	-46 118.24	7 010.00	25 925.08	6 017.75	-	-27 957.52	3 985.30	3 024.70
Security Equipment	314 936.61	-	-	2 423 888	-	-5 476.97	2 733 347.71	64 254.63	28 612.47	-	-3 361.36	89 505.74	2 643 841.97
Plant And Equipment - Other	254 720.94	6 985.08	-	-	-	-37 284.51	224 421.51	83 901.13	28 153.21	-	-20 932.81	91 121.53	133 299.98
Compressors, Generators And Allied Equipment	52 023.00	11 850.00	-	-	-	-11 990.00	51 883.00	22 734.07	5 811.81	-	-6 509.20	22 036.69	29 846.31
Workshop Equipment And Tools	88 238.94	125 370.00	-	-	-	-35 919.19	177 689.75	42 733.87	26 119.37	-	-9 518.95	59 334.29	118 355.46
Gardening Equipment	258 688.00	-	-	-	-	-109 628.00	149 060.00	152 103.70	32 649.88	-	-72 205.02	112 548.57	36 511.43
Earthmoving Equipment	495 000.00	-	-	-	-	-	495 000.00	135 051.55	26 995.52	-	-	162 047.07	332 952.93
Office equipment													
Computer Hardware	1 545 829.74	234 374.26	-	-	-	-231 603.47	1 548 600.53	677 841.19	285 277.57	-	-115 012.15	848 106.61	700 493.92
Audiovisual Equipment	213 586.48	28 457.89	-	-	-	-94 671.59	147 372.78	97 522.69	27 257.54	-	-55 155.02	69 625.20	77 747.58
Air Conditioners	232 328.91	8 479.82	-	-	-	-6 363.00	234 445.73	132 100.99	31 477.88	-	-4 189.57	159 389.30	75 056.43
Domestic Equipment	161 853.76	2 227.07	-	-	-	-36 818.52	127 262.31	71 509.07	22 153.91	-	-24 563.21	69 099.77	58 162.55
Office Equipment / Machines	1 553 493.25	5 453.68	-	-	-	-646 894.21	912 052.72	867 215.71	214 655.27	-	-424 540.26	657 330.72	254 722.00
Other Office Equipment	170 925.26	1 495.00	-	-	-	-467.86	171 952.40	69 951.68	22 847.66	-	-356.25	92 443.09	79 509.31
Music Instruments	110 849.00	-	-	-	-	-	110 849.00	31 478.78	6 198.63	-	-	37 677.42	73 171.58
Total	11 605 362	637 485	-	2 423 888	-	(1 486 375)	13 180 360	4 196 470	1 183 373	-	(868 912)	4 510 931	8 669 429
Total	1 219 628 150	8 365 931	-	23 120 893	-	(1 542 936)	1 249 572 038	558 370 928	34 278 000	-	(906 350)	591 742 578	657 829 460

APPENDIX B

LETSEMENG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage	R	R	R	R	R	R	R	R	R	R	R	R	R
Historic buildings	11 041 248	-	-	-	-	-	11 041 248	-	-	-	-	-	11 041 248
Jewelry	258 570	-	-	-	-	-	258 570	-	-	-	-	-	258 570
Total	11 299 818	-	-	-	-	-	11 299 818	-	-	-	-	-	11 299 818

LETSEMENG LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	952 565	11 614	-	-	-	-	964 179	501 778	156 561	-	-	658 339	305 840
Total	952 565	11 614	-	-	-	-	964 179	501 778	156 561	-	-	658 339	305 840
Total Asset Register	1 231 880 533	8 377 545	-	23 120 893	-	(1 542 936)	1 261 836 035	558 872 705	34 434 562	-	(906 350)	592 400 917	669 435 118

APPENDIX C

LETSEMENG LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	523 729	-	-	-	(77 096)	446 632	248 579	52 055	-	(48 047)	252 586	194 046
COUNCIL GENERAL	*123 826*	-	-	-	*(1 503)*	122 323	*58 841*	*13 259*	-	*(768)*	71 332	50 991
MAYOR SUPPORT OFFICE	*399 902*	-	-	-	*(75 593)*	324 310	*189 738*	*38 795*	-	*(47 279)*	181 254	143 056
Finance and Administration	3 822 786	382 060	2 423 888	-	(747 438)	5 881 297	1 827 088	591 289	-	(455 593)	1 962 783	3 918 513
BUDGET & TREASURY OFFICE	*2 912 663*	*382 060*	-	-	*(570 046)*	2 724 678	*1 394 976*	*472 325*	-	*(342 731)*	1 524 571	1 200 107
OFFICE OF THE MUNICIPAL MANAGER	*908 854*	-	*2 423 888*	-	*(177 392)*	3 155 350	*431 991*	*118 734*	-	*(112 863)*	437 862	2 717 488
IDP/LED OFFICE	*1 269*	-	-	-	-	1 269	*121*	*230*	-	-	350	919
Corporate Services	160 445 497	-	-	-	(196 628)	160 248 869	25 991 447	1 379 438	-	(126 716)	27 244 169	133 004 700
CORPORATE SERVICES MANAGEMENT	*1 008 705*	-	-	-	*(189 628)*	819 076	*430 981*	*117 851*	-	*(124 485)*	424 347	394 729
HUMAN RESOURCES	*73 815*	-	-	-	*(7 000)*	66 815	*6 068*	*13 985*	-	*(2 231)*	17 823	48 992
PROPERTY SERVICES	*159 362 978*	-	-	-	-	159 362 978	*25 554 397*	*1 247 602*	-	-	26 801 999	132 560 979
INFORMATION TECHNOLOGY	-	-	-	-	-	-	-	-	-	-	-	-
Community Services	923 880	516 065	10 537 853	-	(138 213)	1 301 732	385 818	145 416	-	(55 898)	475 335	826 397
COMMUNITY SERVICES ADMIN	*151 137*	*516 065*	-	-	*(46 460)*	620 742	*20 978*	*65 137*	-	*(4 512)*	81 603	539 139
LIBRARY	*155 835*	-	-	-	*(2 020)*	153 815	*68 193*	*13 730*	-	*(1 024)*	80 899	72 916
HALLS	*616 909*	-	-	-	*(89 734)*	527 175	*296 647*	*66 548*	-	*(50 362)*	312 833	214 341
Roads	328 477 045	5 116 273	3 145 627	-	(84 595)	333 508 723	162 635 960	11 517 265	-	(51 451)	174 101 774	159 406 950
ROAD TRANSPORT	*328 477 045*	*5 116 273*	-	-	*(84 595)*	333 508 723	*162 635 960*	*11 517 265*	-	*(51 451)*	174 101 774	159 406 950
Electricity Services	94 004 256	161 026	68 790	-	(21 301)	94 143 981	43 678 346	4 854 498	-	(13 109)	48 519 736	45 624 245
ELECTRICITY DISTIBUTION	*94 004 256*	*161 026*	-	-	*(21 301)*	94 143 981	*43 678 346*	*4 854 498*	-	*(13 109)*	48 519 736	45 624 245
Waste Management	239 174 323	1 407 604	4 217 115	-	-	240 581 927	129 801 363	5 204 420	-	-	135 005 783	105 576 144
WASTE MANAGEMENT	*239 174 323*	*1 407 604*	-	-	-	240 581 927	*129 801 363*	*5 204 420*	-	-	135 005 783	105 576 144
Waste Water Management	29 784	-	2 727 621	-	(2 303)	27 481	15 192	3 599	-	(1 489)	17 303	10 178
WASTE WATER MANAGEMENT	*29 784*	-	-	-	*(2 303)*	27 481	*15 192*	*3 599*	-	*(1 489)*	17 303	10 178
Health	79 521	-	-	-	(19 643)	59 879	40 753	8 352	-	(11 876)	37 229	22 649
ENVIRONMENTAL HEALTH	*79 521*	-	-	-	*(19 643)*	59 879	*40 753*	*8 352*	-	*(11 876)*	37 229	22 649
Technical Services	831 546	-	-	-	(109 661)	721 885	165 448	107 517	-	(59 552)	213 413	508 472
TECHNICAL SERVICES ADMIN	*416 853*	-	-	-	*(17 254)*	399 600	*17 016*	*40 617*	-	*(4 805)*	52 827	346 772
PLANNING & DEVELOPMENT	*414 693*	-	-	-	*(92 407)*	322 286	*148 433*	*66 899*	-	*(54 746)*	160 585	161 700
Water	391 315 782	782 902	-	-	(146 058)	391 952 626	193 580 934	10 414 153	-	(82 619)	203 912 467	188 040 160
WATER	*391 315 782*	*782 902*	-	-	*(146 058)*	391 952 626	*193 580 934*	*10 414 153*	-	*(82 619)*	203 912 467	188 040 160
Total	**1 219 628 150**	**8 365 931**	**23 120 893**	**-**	**(1 542 936)**	**1 249 572 038**	**558 370 928**	**34 278 000**	**-**	**(906 350)**	**591 742 578**	**657 829 460**